



## Washington State Auditor's Office

August 15, 2016

Patricia Lashway, Secretary  
Department of Social and Health Services  
Olympia, Washington

### Management Letter

This letter includes a summary of specific matters that we identified in planning and performing our accountability audit of the Department of Social and Health Services from July 1, 2014 through June 30, 2015. We believe our recommendations will assist you in improving the Department's internal controls and compliance in these areas.

We will review the status of these matters during our next audit. We have already discussed our comments with and made suggestions for improvements to Department officials and personnel. If you have any further questions, please contact me at (360) 725-5352.

This letter is intended for the information and use of management. However, this letter is a matter of public record and its distribution is not limited.

We would also like to take this opportunity to extend our appreciation to your staff for the cooperation and assistance given during the course of the audit.

Sincerely,

Jim Brownell  
Audit Manager

Attachment

Management Letter  
Department of Social and Health Services  
July 1, 2014 – June 30, 2015

**1. Reporting known or suspected losses and illegal activity to the State Auditor's Office**

State law (RCW 43.9.185) requires state agencies to immediately notify the State Auditor's Office of known or suspected losses of public funds or illegal activity. State law (RCW 43.09.330) also requires that any compromise or settlement entered into by state agencies must be approved in writing by the Attorney General and State Auditor.

We examined 32 loss reports submitted to our Office by the Department and found:

- Eight instances when loss reports were submitted between fifteen days and six months following discovery by the Department.
- Eight instances when loss reports were submitted between six months and one year following discovery by the Department.
- Seven instances when loss reports were submitted over one year following discovery by the Department.
- One instance when the Department entered into a settlement agreement with an employee, but the agreement was not reviewed by the Attorney General or State Auditor.

We recommend the Department:

- Ensure the State Auditor's Office is immediately notified in the event of a known or suspected loss of public funds or illegal activity, as required by state law.
- Ensure that any compromise or settlement with an employee is approved in advance by the Attorney General and State Auditor, as required by state law.

**2. Western State Hospital nursing payroll**

We determined at least 874 nursing staff at Western State Hospital, with a total payroll of \$21.4 million, worked seven hours and forty-five minutes and were paid for 8 hours during the audit period. As a result of this practice, the Department paid approximately \$535,000 for hours not worked during the audit period. This practice has been in place for many years.

In an investigation report<sup>1</sup> issued by our Office on May 8, 2014, the Department stated in its response that this issue needs to be resolved in the context of long-term labor practices and current labor law and that it was one of the Department's top concerns as they entered into collective bargaining discussions.

---

<sup>1</sup> <http://portal.sao.wa.gov/ReportSearch/Home/ViewReportFile?arn=1011811&isFinding=false&sp=false>

Neither of the collective bargaining agreements, nor Department policies, stipulate that employees are authorized to work less than their entire shift yet be compensated for their entire shift.

We recommend the Department continue to work and resolve this matter and only pay employees for hours worked.